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Securing long-term savings for property with solar - by Stephan Hartmann

November 06, 2020 - Front Section



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Solar

Like most businesses today, commercial property owners are up against unprecedented obstacles. Many are left feeling that investing available funds into their properties is simply not viable. Looking for ways to maximize the value of their assets while decreasing expenses has become paramount. Transitioning properties to renewable energy systems allows commercial property owners to decrease operating expenses leading to immediate net benefits. Tax incentives, little or no upfront costs, leasing and PPA opportunities, as well as advancement in energy storage, all make 2020 an ideal time to begin implementing green energy measures.

Although now may not seem like the most appropriate time to commit capital to your facilities, there are many benefits to investing in a solar array. Installing a solar array requires little to no upfront cost, while offering owners the opportunity to invest in their property without the related expense or debt on their business. Property Assessed Clean Energy (PACE) loans provide financing for the installation of solar energy systems with no down payment or regular monthly payment. Due to the nature of the financing, if the owner decides to sell, the debt is transferred to the new owner because it is tied directly to the property, not the business.

Various governmental tax incentives also make transitioning to renewable energy a viable option for many commercial property owners. Currently, the Federal solar tax credit allows owners to deduct 26% of solar installation costs from their federal taxes. This is a "\$1 for \$1" credit, acting as a direct offset to the owner's tax obligation. However, this incentive will decrease to 22% at the end of 2020, although property owners can maintain the higher federal solar tax credit by starting the project in 2020, even if a majority of expenses are incurred in 2021.

Solar energy arrays are also eligible for full depreciation deduction in the first year the array is placed in service in accordance with section 179 of the Internal Revenue Code. Furthermore, there are additional incentive structures offered on state and local levels. Owners are advised to consult with their tax advisors for advice regarding their specific tax situation.

Two other options of accessing the monetary benefits of solar installations are roof leases and a Power Purchase Agreements (PPA). Roof leasing provides an avenue to monetize unused square footage on existing structures without losing access to traditional leased spaces. By leasing the roof of a commercial property, the owner earns additional rental income at no upfront cost, as the solar energy provider rents the roof space and manages the array. Like a roof lease, a PPA allows a commercial property to receive benefits from a solar array, while the renewable energy service provider owns and operates the array, at zero cost to the property owner. The significant difference between a PPA and roof lease is that with a PPA, the energy generated from the solar array is sold to the property owner at a fixed, discounted rate.

If an owner's utility demands are highly variable, there may be additional renewable energy products that can maximize the benefit to the system owner. Energy storage provides property owners the ability to offset expensive peak demand charges and access unused energy at the most

opportune times. Like with a solar array, there are incentives available to help offset the cost of the energy storage batteries. Often, the same tax incentives can be extended to the energy storage system. Moreover, some local governments offer additional incentives specifically for the inclusion of an energy storage system when installing a solar array. Combining energy storage with a solar array unlocks the full potential of a renewable energy system. Not only is the commercial property generating cost-controlled clean energy, but the owner is taking control of when to use it. Finally, specifically targeting high-cost energy and demand windows allows for greater savings.

When looking at the year ahead, it can seem difficult to identify secure investments, let alone those that provide immediate cost-savings. However, by taking advantage of tax incentives, partnership and loan options, and investments in energy storage, commercial property owners can create both immediate and long term returns on investment.

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